

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 OMB-01 TRSE-00 EB-07 /078 W

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R 190959Z FEB 76

FM AMEMBASSY ABIDJAN

TO AMEMBASSY COTONOU

INFO SECSTATE WASHDC 7172

AMEMBASSY DAKAR

AMEMBASSY LOME

AMEMBASSY NIAMEY

AMEMBASSY OUAGADOUGOU

AMEMBASSY PARIS

C O N F I D E N T I A L ABIDJAN 1667

EO 11652: GDS

TAGS: EFIN, XA, CM, IV

SUB: POSSIBLE BCEAO EXPULSION OF BENIN

REFERENCE(A) LOME 314, (B) COTONOU 209

1. DISCUSSION WITH CENTRAL BANK REGIONAL OFFICE HERE INDICATES POSSIBILITY THAT BENIN MAY BE ASKED TO LEAVE UMOA UNDER CERTAIN CONDITIONS IF BENIN GOVERNMENT UNWILLING TO CONFORM TO CURRENCY CONTROL REGULATIONS OF THE BCEAO. LOCAL BCEAO OFFICIALS BELIEVE THAT BENIN MAY HAVE VIOLATED, THROUGH GOVERNMENT PRESSURE, CREDIT EXPANSION RULES AND AS A RESULT MAY, IN TIME, JEOPARDIZE THE STABILITY OF THE CFA AND THUS PUT ADDITIONAL BURDEN ON FRENCH TREASURY WHICH GUARANTEES CONVERTIBILITY OF THE CFA FRANC. BCEAO WILL MAKE EFFORTS TO BRING BENIN'S ATTITUDE IN LINE WITH BCEAO REGULATIONS AT NEXT MEETING OF CENTRAL BANK AUTHORITIES SCHEDULED TENTATIVELY FOR ABIDJAN DURING THE FIRST WEEK OF MARCH.

2. IF BENIN DOES NOT AGREE TO FOLLOW THE REGULATIONS OF THE FRANC

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ZONE, THE UMOA AND THE BCEAO MAY BE FORCED TO TAKE ACTION

TO INSURE THE STABILITY OF THE CURRENCY WHICH MIGHT INCLUDE FORCING BENIN TO LEAVE THE CFA BLOC. GIVEN STRUCTURE OF BCEAO, BELIEVE SUCH ACTION WOULD BE MUTUALLY DETERMINED BETWEEN BENIN REPRESENTATIVES AND BCEAO/UMOA OFFICIALS. LOCAL BCEAO OFFICIALS DOUBT BCEAO WOULD TAKE UNILATERAL DECISION TO EXPEL BENIN FROM ZONE WITHOUT ATTEMPT AT NEGOTIATION. LOGISTICAL PROBLEMS OF SUCH AN ACTION WOULD COMPLICATE IMMEDIATE IMPLEMENTATION OF EXPULSION DECISION AS SIX COUNTRIES UTILIZING SAME NOTES AS BENIN GOVERNMENT. COST OF RE-ISSUE OF LEGAL TENDER FOR EITHER THE BENIN ACTIONS SERIOUSLY THREATENED STABILITY OF CFA FRANC, BCEAO BELIEVES UMOA WULD ORGANIZE RE-ISSUANCE OF NEW CURRENCY.

3. GIVEN PROCLIVITIES OF BENIN CENTRAL GOVERNMENT AT THIS TIME, NO RPT NO COMMERCIAL BANKS IN ABIDJAN ARE AUTHORIZING ANY CREDIT TO BUSINESSES IN BENIN. FURTHER, EXPECTATIONS ARE THAT ANY OUTSIDE CFA ZONE TRANSFERS FROM BENIN WILL REQUIRE TWO TO THREE MONTHS DUE TO PRB DESIRE TO CONTROL FOREIGN EXCHANGE RESERVES. TRANSFERS WITHIN ZONE AVERAGE ABOUT SIX WEEKS. SLOWNESS OF TRANSFERS, IN AND OF ITSELF , HOWEVER, WOULD NOT BE SUFFICIENT TO INDUCE BCEAO ACTION AGAINST BENIN

4. PLEASE ADVVISE IF BCEAO ABIDJAN ESTIMATE OF TRANSFER TIMES IF FAIRLY ACCURATE.
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